2010-11 – 1st and 2nd QUARTER STATUS REPORT – Chief Actuary (A. Milligan)

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Customer Focus

Weight	Performance Measure
30%	By June 30, 2011, achieve Enterprise Priority #1 “Customer Focus,” as set forth in the 2010-11 Business Plan approved by the Board for the following objectives: • Enhance consistent, collaborative communication and engagement with stakeholders • Ensure the PSR/ETM/PERT Project remains on schedule and within budget and implement planned activities in the PSR/ETM/PERT Recovery Plan • Implement an enterprise web-based multi-channel communication service (Specific tactics and milestones are set forth in the Business Plan)

1st and 2nd Quarter Status:

Consistent, collaborative communication and engagement with stakeholders was advanced by the very successful 2010 employer educational forum and by a number of other initiatives

- A reputational risk baseline was developed.
- Three working groups were established as a result of the issues relating to excessive employer compensation being reported by a Southern California agency.
- Regular communication employers of issues relevant to the through the issuance of 21 circular letters.
- Presented an actuarial perspective to a number of employer and member organization conferences
- Presented a webinar about potential changes to employer rates.

The PSR/ETM/PERT project remains on schedule and within budget. Some schedule challenges are occurring due to difficulties with respect to System Test. These challenges are being addressed and do not currently threated the scheduled implementation date.

Policies and procedures for webcasts and webinars were completed and put in place. Two pilots – a webinar and a webcast – were prepared and successfully delivered in the first two quarters of the fiscal year.

Sustainability

Weight	Performance Measure

30%	By June 30, 2011, achieve Enterprise Priority #2 “Sustainability,” as set forth in the 2010-11 Business Plan approved by the Board for the following objectives:
	• Protect stakeholder interests, assist policymakers in making decisions, and influence the state and federal pension reform debate by
	    o Providing employers with enhanced actuarial information on the impact of investment volatility their contribution rates by December 31, 2010
	    o Recommending possible changes to the actuarial discount rate by March 2011
	    o Distributing an educational toolkit for elected officials on funding public pensions and post-retirement medical benefits by March 2011
	    o Providing continuous monitoring, analysis, and impact response on pension reform proposals
	• Participate in the development and recommendation of the strategic asset allocation
	(Specific tactics and milestones are set forth in the Business Plan)

1st and 2nd Quarter Status:

Enhanced actuarial information on the impact of investment volatility on employer contribution rates was included with all valuation reports, the last of which was mailed in November, 2010.

Extensive discussions have been held with the investment office regarding expected future investment returns, both short and long-term. In addition, foundational work on the analysis to combine the short and long-term perspectives has been completed so that we are on track to present our recommendations of possible changes to the actuarial discount rate by March 2011. In addition, the impact of a possible change has been analyzed and presented to executive staff.

An educational toolkit for local agency elected officials was distributed at the Employer Educational Forum in October. Work continues on toolkits for State and Federal level elected officials.

In the first two quarters, a number of changes were made legislatively to State plans, both benefit formulas and member contribution rates. CalPERS provided analysis of the impact of these bills on members and on the State's contribution rate. In addition, we responded promptly to SB 867 and other legislative proposals and informal inquiries.

A series of workshops were presented to the Board leading up to an asset allocation workshop in November. The Board adopted a new strategic asset allocation for the PERF in December. Actuarial staff participated throughout the process.

Building Internal Strength

Weight	Performance Measure
30%	By June 30, 2011, achieve Enterprise Priority #3 "Building Internal Strength," as set forth in the 2010-11 Business Plan approved by the Board for the following objectives: • Attract, develop, and retain a diverse workforce and build a work culture that reflects diversity and inclusion best practices • Institute an enterprise Risk Management function to effectively evaluate, monitor, and manage risk across the organization • Complete the first phase of the Organizational Alignment initiative • Design and implement an enterprise Succession Plan framework to ensure leadership continuity, retention of institutional expertise, and development of staff (Specific tactics and milestones are set forth in the Business Plan)

1st and 2nd Quarter Status:

A review and update of the CalPERS core values was conducted resulting in agreement on a new set of core values and behaviors which will be rolled out in the third quarter.

The structure of the enterprise risk management function was put in place and an interim Chief Risk Officer was appointed. A ninety day plan was put in place and is being implemented. Input has been provided in a number of different settings on the risks the organization faces.

The first phase of the organizational Alignment Initiative was completed. By the end of the second quarter, efforts were well underway to detail the next level of organizational changes.

Organizational Management Practices

Weight	Performance Measure
10%	By June 30, 2011, achieve improvements in enterprise management by: • Maintaining an average Actuarial and Employers Services Branch position vacancy rate of 5% or less through the Fiscal Year 2010-11 • Ensuring all Form 700 Statements of Economic Interest are filed by scheduled employees in the Actuarial and Employers Services Branch by the mandated due date of April 1, 2011 • Ensuring all scheduled employees in the Actuarial and Employers Services Branch complete the legally mandated AB 1234 ethics training by June 30, 2011 • Maintaining a 90 percent EPAD completion rate for employees in the Actuarial and Employers Services Branch • Resolving all outstanding audit findings pertaining to the Actuarial and Employers Services Branch within 12 months of audit report.

1st and 2nd Quarter Status:

An average vacancy rate of 4.7% was maintained for the Branch through the first two quarters of the fiscal year.
No form 700 reports were due in the first two quarters.
Ethics training is on-going.
On schedule for resolution of all outstanding audit reports within 12 months of the finding.